

1 UNITED STATES BANKRUPTCY COURT
2 FOR THE WESTERN DISTRICT OF NORTH CAROLINA
3 IN RE:) Chapter 11
4 LTL MANAGEMENT LLC,) CASE NO. 21-30589
5 Debtor.)
6 -----)
7 LTL MANAGEMENT LLC,)
8 Plaintiff,)
9 vs.) Adversary Proceeding
10 THOSE PARTIES LISTED ON)
11 APPENDIX A TO COMPLAINT)
12 and JOHN AND JANE DOES 1-1000,)
13 Defendants.)
14 C O N F I D E N T I A L
15 DEPOSITION OF ADAM LISMAN
16 SATURDAY, OCTOBER 30, 2021
17 2:00 p.m.
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REMOTE TRANSCRIPT OF PROCEEDINGS had in
the above-entitled cause, on the above date, before
Juliana F. Zajicek, Registered Professional Reporter,
Certified Shorthand Reporter and Certified Realtime
Reporter.

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1 relationship.

2 Usually with the parent company, because
3 J&J has a master corporate sweep account from a cash
4 perspective where the operating company's cash is
5 swept into a master account, I think every day, so on
6 any -- at the end of any given day an operating
7 company usually doesn't have any cash in its account
8 because it is automatically swept in.

9 Q. And when you say the operating company
10 usually doesn't have any cash because it's swept in,
11 could you explain what you mean by that?

12 A. Right. So I'm not the treasurer, but I
13 believe all of the operating subs, they -- as they
14 collect receivables from customers, et cetera,
15 bringing cash into the company, every -- at the end of
16 every day all of those accounts are centrally linked
17 to a central corporate bank account. For all of our
18 subs, at least within the US, probably a little more
19 complicated outside of the US, but all of the accounts
20 in the US feed into one, maybe two US-held centrally
21 bank accounts.

22 Q. And the centrally held bank accounts are
23 in the name of Johnson & Johnson, the ultimate parent
24 company, is that correct?

1 Q. Okay. And what -- what is that -- well, I
2 stand corrected, because it looks like there is a
3 couple of other accounts there as well.

4 If you look at Row 28, for example, it
5 ends in "12" instead of "24," but what is your
6 understanding of what these accounts are that were
7 pulled or extracted?

8 A. So the -- I'll say the parent account that
9 all of these would fall under would be an account
10 called "Other Income and Other Expense." There might
11 be a few different sub accounts. You can call it
12 "Other Income A, B, C." That would be what's shown
13 there, which is why the -- the numbers in Column A
14 aren't exactly the same.

15 Q. And what in general, what does "Other
16 Income and Other Expense" refer to?

17 A. So in our chart of accounts to keep track
18 of everything, we have definitions of what's to be
19 reported within every account that we use to report
20 financial information. Other Income and Expense is a
21 miscellaneous catchall for things that we don't
22 standardly report on, something like revenue or cost
23 of goods sold or selling and administration expenses.

24 Items within Other Income and Expense are

1 question.

2 Go ahead.

3 BY THE WITNESS:

4 A. All of the parties that I have named
5 previously in either the corporate finance group or on
6 the corporate legal team that I've named.

7 BY MR. SATTERLEY:

8 Q. The creation of LTL, it likewise has the
9 daily sweeps into the central J&J bank account,
10 correct?

11 A. I don't know.

12 Q. The -- what is the J&J central bank
13 account, which bank?

14 A. I don't know.

15 Q. You said the -- that J&J has a policy on
16 allocations of costs to the various subsidiaries that
17 you've seen in the past.

18 You said it has a date on it, but you
19 don't know the exact date, is that fair?

20 A. That was pertaining to the accounting for
21 legal-related costs, yes.

22 Q. Sure. And you say the J&J policy on
23 legal-related costs, you said you think it was more
24 than ten years ago?

1 A. I would think so. We are pretty good
2 about having accounting policies in place especially
3 after Sarbanes-Oxley in the early 2000s, so it
4 probably dates back to around then, correct.

5 Q. And that's a J&J policy, correct, the
6 enterprise, a J&J enterprise policy, correct?

7 A. Correct, we --

8 MR. RASMUSSEN: Objection to the form of the
9 question.

10 BY THE WITNESS:

11 A. We issue accounting policies and
12 procedures to apply to all of our subs, yes.

13 BY MR. SATTERLEY:

14 Q. And who specifically from J&J, the
15 enterprise, wrote the accounting policy dealing with
16 legal costs?

17 A. I don't know the answer to that question,
18 who would have been the author over ten years ago, I
19 don't know.

20 Q. But was there an arm's length negotiation
21 between J&J and its various subsidiaries regarding the
22 legal costs?

23 MR. RASMUSSEN: Objection to the form of the
24 question.

1 BY THE WITNESS:

2 A. I do not know.

3 BY MR. SATTERLEY:

4 Q. But do you know whether there was any
5 negotiation whatsoever between the various corporate
6 entities and Johnson & Johnson, the enterprise,
7 regarding this policy on legal costs?

8 MR. RASMUSSEN: Objection to the form of the
9 question.

10 BY THE WITNESS:

11 A. I do not know.

12 BY MR. SATTERLEY:

13 Q. But I think you said earlier the J&J
14 policy on legal costs is not mandated by GAAP,
15 correct?

16 A. Is a specific policy on dealing with legal
17 costs of your subsidiaries in GAAP, no, GAAP is not
18 that.

19 Q. And you said -- and you also said that the
20 accounting for liability -- legal liabilities is the
21 most subjective area with regards to GAAP, correct?

22 A. It is one of the most subjective areas,
23 yes.

24 Q. And so with regards to the way J&J treats

1 judgments, even if there is a judgment against J&J,
2 the enterprise, J&J will internally charge it to a
3 subsidiary, correct?

4 A. If there is a --

5 MR. RASMUSSEN: Objection to the form of the
6 question.

7 BY THE WITNESS:

8 A. If there is a ruling or a judgment against
9 J&J the parent company, that ultimate payment and
10 obligation to make payment will be reflected to the
11 J&J company to which the product tied into the matter
12 it pertains.

13 BY MR. SATTERLEY:

14 Q. So that's an internal accounting decision
15 as opposed to a legal decision, correct?

16 A. That is a --

17 MR. RASMUSSEN: Objection to the form of the
18 question.

19 BY THE WITNESS:

20 A. That is not an accounting decision because
21 it's arbitrary. It is an accounting decision because
22 accounting follows the nature of the transaction and
23 the nature of the costs. Accounting is step two. If
24 there is a cost related to a product related to a